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C O N F I D E N T I A L SECTION 01 OF 03 PRAGUE 001032

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SUBJECT: CZECH POLITICS: CSSD DUMPS ODS AT THE ALTAR AND
PROPOSES TO KDU-CSL, BUT FAR FROM CLEAR MARRIAGE WILL TAKE
PLACE

Classified By: Political-Economic Counselor Michael Dodman for reasons
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11. SUMMARY. (SBU) Talks between the leaders of the two main Czech political parties, the Civic Democrats (ODS) and the Social Democrats (CSSD), broke down August 24, hours after both sides had publicly stated that an agreement was in sight and expected within days. Immediately after outgoing Prime Minister Jiri Paroubek (CSSD) announced the end of his participation in talks to form the minority ODS government, Paroubek made public that he has started talks with the staunchly anti-Communist Christian Democrats (KDU-CSL) on the formation of a minority CSSD/KDU-CSL government that would have to rely on the Communist party for support in the initial vote of confidence. Incoming Prime Minister and ODS Chairman Mirek Topolaneck is still the only person who has been constitutionally authorized by President Klaus to form a government. It is expected that he will continue his efforts and propose to the President, probably on September 1, a cabinet that would govern until early elections next year; if approved by the President, the Topolaneck government would have 30 days to seek a vote of confidence. Meanwhile, the Christian Democrats have called a meeting of their central committee for August 25 and an extraordinary party congress for Monday, August 28, amid signs of strong disagreement within the party over the issue of reliance on the Communists. The outcome of those two meetings will indicate whether KDU-CSL Chairman Kalousek will achieve the difficult task of persuading his party to accept Communist support. The future of several party leaders, and in the case of the Christian Democrats possibly even the party itself, are at stake. The Czech public is still in vacation mode and seems unconcerned about the political instability, although this will change soon. There is too much uncertainty, and too far to go before this is all resolved, to predict the outcome.
END SUMMARY.

12. (C) Talks between ODS and CSSD ran into difficulty over Paroubek's efforts to retain influence over policy-making, and to place his own people in as many positions of power as possible. Topolaneck publicly blames Paroubek for demanding too much. But Paroubek might have sensed that Topolaneck was facing resistance within his own party and losing the mandate to negotiate any further. President Klaus, who was the co-founder of ODS, has not stepped in to assist Topolaneck. Political Scientist Vladimira Dvorakova posited to post August 25 that this was because Klaus wants Topolaneck to fail and be removed from the party leadership. Dvorakova feels that Klaus lacks respect for Topolaneck, doesn't like Topolaneck, and doesn't want to share the national political stage with Topolaneck. Dvorakova feels that Klaus would not have an easy time being President while Topolaneck was Prime

Minister, since the Czech Constitution is vague in certain areas and could lead to conflict between head of state and the head of government. Dvorakova and others feel that Klaus, who has not commented publicly throughout the turbulent days this week, has purposely left Topolanek twisting in the wind. "Klaus's silence is deafening" was how she put it.

13. (U) In the 24 hours since breaking off talks with ODS, Paroubek has promised the Christian Democrats a number of things, including an electoral law that enhances proportional representation and a treaty with the Vatican. A minority CSSD/KDU-CSL government would have 87 seats in parliament, the exact number that ODS and the Greens would have. Since those two parties have already said they would not support the CSSD/KDU-CSL effort, even if the 26 Communist deputies leave the chamber during the vote of confidence, victory for this proposed coalition is not certain. Paroubek and Kalousek can only succeed by winning the support of at least one communist. But Kalousek's party colleagues are publicly expressing shock and dismay at the idea of openly relying on Communist support. The party's biggest chapter, in Brno, has already expressed its reservations. Local party Chair Jan Holik told the press August 25 that "Good things can not be achieved through bad means," and "If I agreed to this I would not be able to look some people in the eye." Michaela Sojdrova, freshman KDU-CSL MP, has gone on the record as opposing a minority CSSD/KDU-CSL government supported by the Communists. Ex-MP and Defense Minister, Vilem Holan (KDU-CSL) has said the voters will lose faith in the party if it joins a minority government supported by KSCM, and has called on the current party leadership to resign. Some in the party's rank and file are even calling it "treason."

14. (SBU) On the other hand, there are some in the party who

PRAGUE 00001032 002 OF 003

are in favor of the arrangement. Kalousek was wise enough to get the core of the party leadership to approve of his talks with Paroubek ahead of time. That core consists of people such as the three current KDU-CSL cabinet ministers, Cyril Svoboda, Libor Ambrozek, and Milan Simonovsky, who could reasonably expect posts in a CSSD/KDU-CSL government. News reports say Paroubek is offering as many as six cabinet posts. It must be kept in mind that an ODS-CSSD deal would have left the Christian Democrats in the opposition and could have led to changes in the electoral law that could have threatened the very existence of the smaller parties. Kalousek was in a difficult position. It is not yet clear whether the gamble to join CSSD was the right move. The Christian Democrats only received 7.2 % in the June elections, not far over the 5% threshold needed for representation in parliament. A major split in the party could mean relegation to the ranks of the extra-parliamentary parties in the next general election.

15. (SBU) Another big question is the position of the Communists. The head of the party's parliamentary club, Pavel Kovacik, told Czech Radio August 25th that the party had not yet been asked for its support, but if asked, it would depend on the position of the CSSD/KDU-CSL government with regard to the proposed missile defense bases, plans to privatize certain large state-run firms, and various social issues. Paroubek is believed to be more of an opportunist than an ideologue on the missile defense issue. But if he felt he needed to support a referendum to get Communist support in a vote of confidence, he would probably do so. In fact, the opening session of the new parliament next week may offer a clear view of where Paroubek comes down on the referendum question: KSCM has said it will try to get the draft of a constitutional bill (requiring 3/5 support in both houses) on parliament's agenda as quickly as possible. The bill would require a one-off referendum on any missile defense bases (radars or interceptors). The referendum would read as follows:
"Do you agree with the Czech Republic allowing the United States to build and station on its territory individual

elements of its anti-missile protection system such as ballistic missiles and necessary radar systems, including military units?"

16. (U) In order for the referendum to be held the bill would need 120 votes in the lower house. Since ODS -- which supports missile defense, but has not been unified on the question of a referendum -- has 81 of the 200 seats, it could block it. The bill would also need 49 votes in the Senate. ODS has 38 of the 81 seats and could block it in the upper house as well. Right now each of the other four parties in parliament are in favor of a referendum. ODS could feel pressure to permit a referendum before the Senate and local elections scheduled for the last ten days in October.

17. (C) Topolanek is still the only one entrusted to form a government and he is expected to follow through with this constitutionally mandated step, though he could simply acknowledge defeat and give up the mandate. Marek Benda (ODS) told post August 25 that Topolanek would not take this step and would present a cabinet to President Klaus on September 1; based on Topolanek's statements, the expectation is this would be a government with a limited mandate to govern until early elections next year. If Klaus accepts the cabinet, Paroubek's cabinet ceases to rule and Topolanek's takes over. Topolanek's government would then have 30 days to seek a vote of confidence, but will stay on even if it fails until the next government is put together. Topolanek already has the core of a cabinet from his two previous attempts to form governments. Nominees will know that Topolanek's government is unlikely to survive the vote of confidence and therefore unlikely to last more than a month or two. Anyone with a good position will have to think twice about joining his cabinet. Those who do join will probably serve from the beginning of September for a month or so and will lead the work on the 2007 budget, as well as other issues that might come up in the fall such as foreign deployments or missile defense.

18. (C) COMMENT: The Chairmen of the Civic Democrats, the Social Democrats, and the Christian Democrats, three of the most prominent politicians in the country, are each in vulnerable positions. Kalousek promised double digit support in the election and only delivered 7%. He excused himself by saying that at least the party would continue in government, and then faced the prospect of an ODS-CSSD partnership that would have left his party in the opposition and even worse,

PRAGUE 00001032 003 OF 003

facing a harmful change to the electoral law. Now he needs to put down strong opposition from some party members over his politically expedient decision to begin discussing a government that could rely on Communist votes. Topolanek seems to have lost the support of the President, some within his own party, his former coalition partners (the Greens and Christian Democrats), and even his wife, who announced last week that she was running for the Senate against her husband's party. Even Paroubek is vulnerable: his heightened sensitivity about political control over the police and the Interior Ministry are believed to be caused by fears that damaging information could come to light if opposing parties took over that ministry. It is possible to foresee a political scene a few months from now that looks very different than it does today. Either through party congresses where leaderships change, or through early elections, or even through scandal, the landscape could change significantly.

19. (C) Much of the wrangling over the 12 weeks since the election comes down to personal ambition and personal animosity as the three party leaders and political rivals fight for their political lives. Lingering in the background is the President, whose "deafening silence" has yet to be explained. Remaining largely above the fray, and therefore burnishing their reputations as being relatively clean parties, are the Greens and the Communists. Since most Czechs are still on vacation, all this maneuvering may be

quickly forgotten when Czechs go to the polls in local and Senate elections in October. No doubt the embattled politicians are all hoping to wrap up their messy business with a deal blessed by the President before life returns to normal in September. That is not the end of the process, of course, given the need for a vote of confidence and perhaps a second -- or third -- round of government formation.

¶10. (C) The next steps in this process are hard to predict, and the end result even harder. One point to stress is that the CSSD/KDU-CSL minority coalition with KSCM support is far from a done deal: a revolt within the KDU-CSL ranks could kill it, the President could refuse to accept it, or Paroubek could decide that his interests are better served elsewhere. In any event, Paroubek does not yet even have a mandate from the President to form a government. The weekend will bring continued intense discussion, and all eyes Monday will be on the KDU-CSL extraordinary congress. The situation could be clearer early next week. Or not. As political scientist Vladimira Dvorakova told us, "Anything can happen in Czech politics. Things are changing by the hour. Nobody can say how this will all come out." END COMMENT.
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